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SECRET

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7 October 1972

Central Intelligence Bulletin

CONTENTS

VIETNAM: Sharp fighting north of Saigon. (Page 1)

INDIA-US: Increase in anti-American oratory.
(Page 2)

INTERNATIONAL OIL: Libya demands 50-percent participation in Western oil firm operations. (Page 3)

UGANDA-TANZANIA: Agreement probably glosses over sharp differences. (Page 4)

CHINA: New Public Security minister appointed.
(Page 5)

ARGENTINA: Peronists and military leaders lay foundations for negotiations. (Page 6)

BURMA: Arrests reflect Rangoon's uneasiness over prospect of urban unrest. (Page 7)

TRINIDAD AND TOBAGO - CARIBBEAN: Heads of Government Conference set for 9-14 October. (Page 8)

PAKISTAN: Dissatisfaction with Bhutto leadership
(Page 9)

GATT: Parties likely to support US call for comprehensive talks (Page 9)

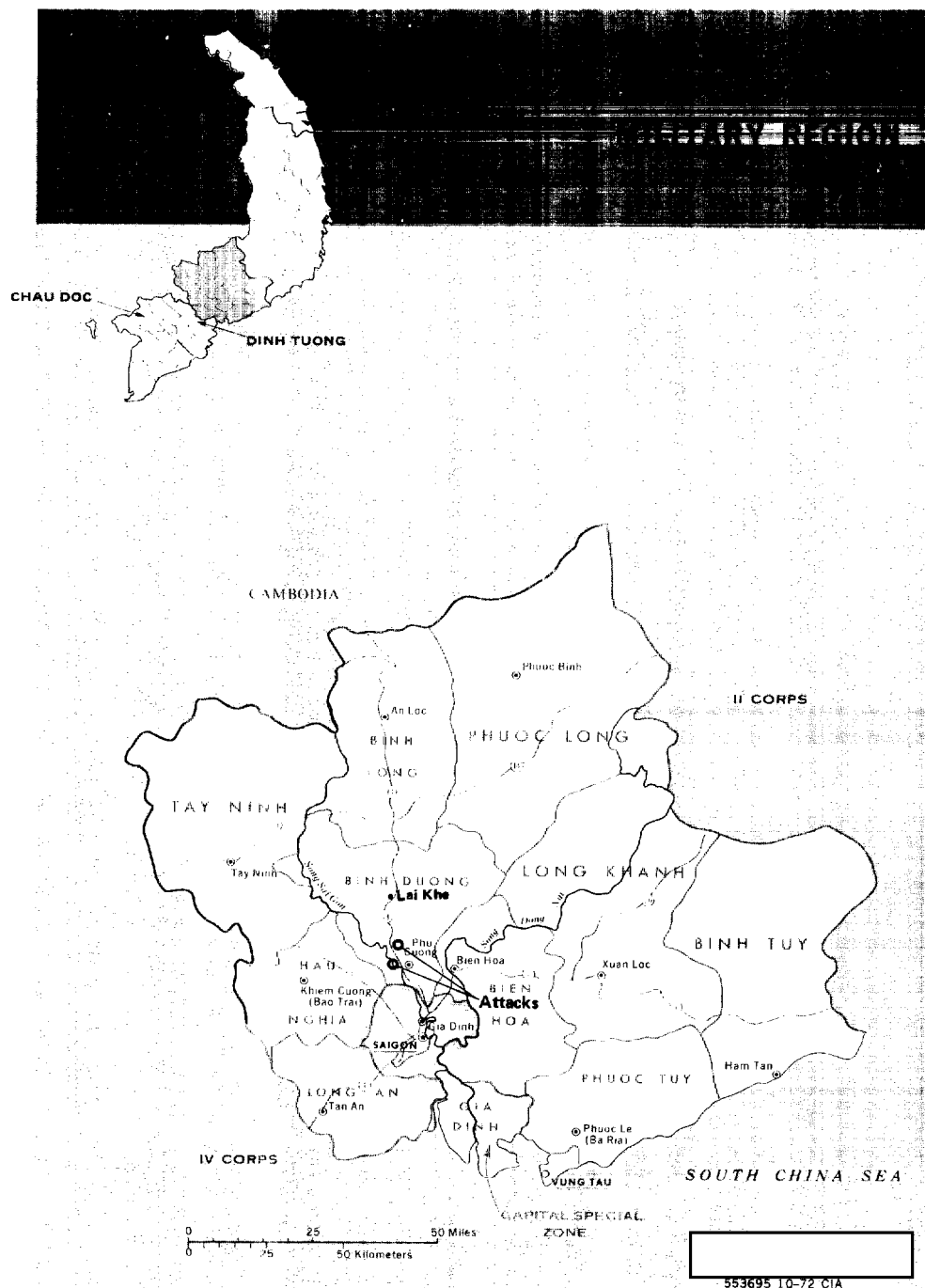
UN - SOUTH-WEST AFRICA: UN special representative's visit (Page 10)

TUNISIA-CHINA: Aid agreement (Page 10)

CAMBODIA: Phnom Penh attacked (Page 11)

SECRET

SECRET



25X1

SECRET

~~SECRET~~

VIETNAM: Sharp fighting has erupted north of Saigon following a series of Communist attacks against government positions along Route 13. Hardest hit were a number of outposts near the Saigon River a few miles northwest of the Binh Duong provincial capital; South Vietnamese forces turned back several enemy ground probes on 6 October.

Heavy mortar fire accompanied the attacks, which apparently were carried out by enemy sapper units and designed to mask the movement of main force units and supplies closer to the capital. US pilots also report signs of extensive enemy activity and substantial troop movement along the Saigon River west of Lai Khe.

The attacks could signal the start of the expected early October "highpoint."

25X1

In the northern provinces, heavy fighting continues in Quang Ngai Province. The government has made some progress in clearing operations around several district capitals along the coast.

25X1

7 Oct 72

Central Intelligence Bulletin

1

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INDIA-US: The recent increase in anti-American oratory by ranking Indian officials could signal further deterioration in bilateral relations.

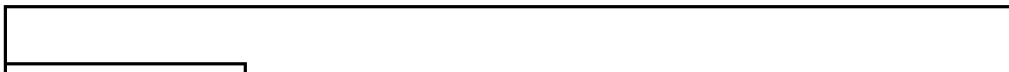


25X1

The deterioration in Indo-US relations has been in progress for several months. A New Delhi policy review under way for some time has complicated educational and cultural exchanges with the US. Scientific cooperation, which had continued normally until early last summer, will probably decline,

25X1

Mrs. Gandhi has long harbored suspicions regarding American activities in India. Moreover, until recently Mrs. Gandhi had several outstanding issues--national and state elections, and the war with Pakistan--to occupy the public's attention. She has none now, and with India's harvest below average this year--grain imports may even be necessary--she may feel the need to create a scapegoat to distract attention from rising food prices and other economic problems which have led to popular discontent and demonstrations. Mrs. Gandhi has come under attack for failure to make progress on her campaign promise to "eliminate poverty."



25X1

the government may attempt to "prove" its allegations against the US by declaring an American official in India persona non grata.

25X1

25X1



7 Oct 72

Central Intelligence Bulletin

2

SECRET

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INTERNATIONAL OIL: Libya is demanding 50-percent participation in the operations of the Bunker-Hunt Oil Company.

Bunker-Hunt, the survivor of a partnership with British Petroleum which was nationalized in December, has until 19 October to respond. Tripoli's demand, which follows the recent agreement with the Italian state oil company for joint ownership, probably will be presented, in turn, to other companies in Libya. All the companies, however, probably will adopt a unified stand in resisting the demand, even at the risk of complete nationalization, to avoid jeopardizing the tentative participation agreement concluded Thursday between the Arab Persian Gulf states and the Western oil companies.

The Gulf states' agreement will provide for initial participation below 50 percent, probably about 20 percent, increasing to 51 percent over a period of years. Compensation to be paid to the oil companies is to be based on a modified book value that is considerably above net book value. The companies clearly intend to try and maintain present price levels. In order to do this they probably will raise prices to consumers by about ten cents per barrel at the initial level of participation and about 25 cents per barrel at 51-percent participation.

25X1

7 Oct 72

Central Intelligence Bulletin

3

~~SECRET~~

SECRET

UGANDA-TANZANIA: The peace agreement signed by the two countries earlier this week in Mogadiscio probably only glosses over their sharp differences.

Details of the agreement, concluded under the auspices of Somalia and the Organization of African Unity, have not been announced. The Ugandan delegation reportedly came to Mogadiscio with demands that Tanzania admit involvement in the guerrilla invasion of Uganda last month and that Uganda's ex-president Obote and his followers be removed from Tanzania. It is unlikely that Tanzanian President Nyerere agreed to either of these conditions.

The uneasy peace, interrupted by occasional flare-ups, that has existed between the two countries for almost two years is likely to continue. Any lasting resolution of the dispute probably depends on a meeting between Amin and Nyerere, but Nyerere, who does not recognize the Amin regime, refuses. For his part Amin charged this week that Tanzania and other countries were planning to invade Uganda.

Meanwhile, repression of real or imagined opposition elements in Uganda continues. Several important Baganda tribesmen have been killed, detained, or have "disappeared." Large numbers of Acholi and Lango, tribes that made up most of the invading guerrilla force, have been murdered by army troops. Some departing Asians are being robbed, beaten, or killed, and police have started to pick up university students. Security forces have avoided incidents with white residents during the past few weeks, but with Amin's announcement of an invasion threat and rumors that disorders may erupt during independence anniversary celebrations this weekend, the situation could change quickly.

25X1

7 Oct 72

Central Intelligence Bulletin

4

SECRET

SECRET

CHINA: The appointment of a new Public Security minister indicates that Peking may finally be making some progress in breaking the personnel logjam at the top.

The official Chinese news agency on 5 October identified Li Chen as minister of Public Security in reporting an airport reception for a visiting foreign delegation. Li is the seventh military man among the nine new government ministers named since the Cultural Revolution. The sensitive security post is the first ministerial position to be filled since the appointment last January of a new foreign minister.

The appointment comes amid other signs that Peking is now moving to fill some high-level posts. Wang Hung Wen, a young radical from Shanghai, was called to Peking in mid-September and has appeared regularly with top party officials. He is ranked just below the Politburo, suggesting that he has assumed an important party post. Late last month the regime identified a new head of its official news agency.

25X1

Although these developments do not necessarily presage a rash of high-level appointments in the near future, other top jobs in the party and government may now be filled at a somewhat faster rate. It may be more difficult, however, to fill the important military posts that have been vacant since the Lin Piao affair last autumn.

25X1

7 Oct 72

Central Intelligence Bulletin

5

SECRET

ARGENTINA: The Peronists and the military leaders have laid the foundation for serious negotiations on the coming elections and the government that will follow.

The ten-point "reconstruction plan" presented to the military government by Hector Campora, Juan Peron's personal delegate, indicates that several points of agreement have already been reached. In a statement conveying the government's favorable response to the plan, the presidential press secretary emphasized the coincidence of government and Peronist views in several areas. In a similarly optimistic vein, Campora said that if an agreement is reached, Peron will return to Argentina to sign it.

The points of agreement in the Peronist proposal include the strengthening of national sovereignty, changes in economic and social policy, and lifting of the state of siege, and the need for agreement of all political parties on the new electoral law. The plan also includes many issues on which the government and Peronists disagree, but even the points of strong difference, such as the law that bars Peron's candidacy because he was not in the country on 25 August, were couched in conciliatory terms.

The military and the Peronists have been unable to reconcile their differences in the 17 years since Peron was overthrown and, despite the encouraging signs today, it is unlikely that an accord will be easily reached. There is, however, a strong desire on both sides to overcome their differences and end the succession of weak civilian governments interspersed with periods of military rule that has characterized Argentine politics since 1955.

25X1
7 Oct 72

Central Intelligence Bulletin

6

SECRET

BURMA: The arrest of over 40 suspected supporters of exiled resistance leader U Nu reflects Rangoon's uneasiness over the prospect of urban unrest.

The arrests on 4 October apparently stemmed from the capture in Rangoon of an armed insurgent who claimed to be a member of a 20-man group trained in the exile bases in Thailand and assigned a sabotage mission in Rangoon. Foremost among those arrested was ex-Brigadier Aung Gyi. A former colleague of Ne Win, he has been out of favor for nearly a decade because of his opposition to Burma's socialist course. The Rangoon regime has long kept him under close watch because of his suspected sympathy for U Nu. The government probably feared that those arrested could become focal points of open popular resistance--which has so far been prevented by tight security controls.

Until now, the Burmese Government has discounted with some justification the military threat of U Nu's three-year-old resistance movement, which has been largely confined to a shallow strip in south-east Burma along the Thai border. Rangoon has shown concern, however, over recent deeper penetrations by rebel bands much closer to the capital. The Ne Win government is particularly disturbed over any indications of urban terrorism at this time when disgruntlement over rice shortages might make the populace more receptive to rebel propaganda. [REDACTED]

25X1

25X1

7 Oct 72

Central Intelligence Bulletin

7

SECRET

SECRET

TRINIDAD AND TOBAGO - CARIBBEAN: The Commonwealth Caribbean Heads of Government Conference will be held in Port of Spain from 9 to 14 October.

The conference will be hosted by Prime Minister Eric Williams; the prime ministers of Guyana, Jamaica, and Barbados will attend, along with other leaders in the region. Although no agenda has been released, Prime Minister Burnham of Guyana is likely to raise the issue of recognition of Cuba. The subject would receive favorable treatment from Williams, who has long supported re-integration of Cuba into the Inter-American system. This position is consistent with his desire to demonstrate Trinidad and Tobago's third world credentials and improve his standing among Caribbean leaders.

Williams has only recently turned his attention to foreign policy, following the black power demonstrations and the subsequent mutiny in the military that nearly toppled his government in 1970. Now that he has demonstrated complete control over party and domestic affairs, he apparently intends to play an increasingly active role in Caribbean affairs.

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25X1



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PAKISTAN: The resignation of Law Minister Kasuri is symptomatic of growing disagreement in the ruling Pakistan People's Party (PPP) with President Bhutto's authoritarian leadership. Kasuri, one of the most important PPP leaders in the Punjab from which the party draws most of its strength, resigned apparently because Bhutto refused to modify his position that Pakistan should have a presidential form of government on the French model. Kasuri, who is chairman of the constitutional drafting committee, strongly favors a parliamentary system. There have been several other signs of unhappiness with Bhutto lately, including a short-lived rebellion late last month by over a third of the party's national assemblymen, who were seeking immunity from arrest for legislators. Bhutto still appears to have the support of most of the party, but should Kasuri's move prompt other disgruntled PPP leaders to defect, the president could face serious problems. [REDACTED]

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GATT: At their meeting next month, the contracting parties to the General Agreement on Tariffs and Trade are likely to support the US call for comprehensive trade negotiations next year. GATT's Director General Long proposed at an informal "heads of delegations" meeting that member countries commit themselves to wide-ranging trade discussions as well as to serious consideration of the interests of less developed countries. Long also pointed out that the European Community (EC) cannot begin negotiations on EC tariffs until enlargement of the EC is made official. The EC should, however, be able to do so immediately after ratification by the new members and in time to permit the opening of formal negotiations at GATT's November session. [REDACTED]

25X1

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7 Oct 72

Central Intelligence Bulletin

9

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UN - SOUTH-WEST AFRICA: The visit to Pretoria of the secretary-general's new special representative on South-West Africa (Namibia), beginning on Monday, may determine whether Waldheim will be able to continue his efforts to move South-West Africa toward independence. South Africa controls South-West Africa despite UN resolutions and an International Court of Justice opinion that South Africa's presence there is illegal. Waldheim has said he cannot continue his efforts unless the government in Pretoria makes some concrete gesture of compromise. If no progress is made, the Security Council is likely to withdraw its support of Waldheim's efforts. In this event, other African states may join with the Soviet Union and China to push for sanctions against South Africa. Pretoria would like to appear receptive, but its actions in recent months hold out little hope that its desire for cooperation is genuine. The government has continued to press its "homelands" policy of moving territories toward nominal independence. It has also banned the acting leader of the South-West African People's Organization, and has expelled the outspoken Anglican bishop of South-West Africa. [REDACTED]

25X1

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TUNISIA-CHINA: Tunis and Peking have concluded their first bilateral economic aid agreement, highlighting a slight improvement in relations between the two countries. The Chinese Embassy, closed in 1967 when Tunisia objected to Peking's propaganda activities, was reopened early this year and a few official visits have been exchanged. The agreement calls for a loan of about \$40 million to finance Tunisian development projects and contains provisions for imports of commodities to cover local costs. Specific projects to be covered have not yet been decided but, given the existence of sizable, unused Soviet and East European credits, the Tunisians may be expected to proceed slowly in drawing on this new assistance. [REDACTED]

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25X1

7 Oct 72

Central Intelligence Bulletin

10

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SECRET

CAMBODIA: In their boldest action in the Phnom Penh area in some four months, the Communists early today carried out sapper attacks and shellings against several installations within the capital's environs. Preliminary reports indicate that the Communists caused considerable damage to one of the city's two main bridges and to a nearby military camp containing armored personnel vehicles. Communist rocket fire against Phnom Penh's airfield apparently resulted in only light damage and casualties, however. At last report, the situation had stabilized--although some small fire fights were continuing on the city's outskirts. [REDACTED]

142

25X1

25X1



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